

**SUMMARIZED MINUTES  
CITY OF SCOTTSDALE  
AUDIT COMMITTEE  
TUESDAY, MAY 15, 2007**



**City Hall Kiva Conference Room  
3939 N. Drinkwater Blvd  
Scottsdale, AZ 85251**

**PRESENT:** Committee Chairman Jim Lane  
Wayne Ecton, Committee Member  
Ron McCullagh, Committee Member

**STAFF:** Kyla Anderson, Audit Associate  
Debra Astin, Transportation Planner  
Lisa Blyler, Assistant to Mayor & Council  
Craig Clifford, Financial Services General Manager  
Cheryl Dreska, City Auditor  
Lisa Gurtler, Assistant City Auditor  
Dave Meinhart, Transit and Transportation Planning Director  
Paula Novacek, Accounting Manager  
Mary O'Connor, Transportation General Manager  
Monica Thomas, Internal Auditor

**CALL TO ORDER/ROLL CALL**

Chairman Lane called the Audit Committee meeting to order at 2:34 p.m. Roll call was taken confirming the presence of all Committee members.

**MINUTES - Approval of April 5, 2007, Committee Meeting Minutes**

Committee Member McCullagh made a motion to approve the April 5, 2007, minutes. Committee Member Ecton seconded the motion. The minutes were approved by a unanimous vote of three (3) to zero (0).

**GENERAL BUSINESS**

**Agenda Item 1 - Discuss Draft Audit Report - Cab Connection**

City Auditor, Cheryl Dreska, stated that the audit for the Cab Connection Program is important to a wide range of interested parties. The Cab Connection Program was

implemented to address issues encountered by the Dial-A-Ride program several years ago. This audit is not a criticism of the Program or the use of public funds for the purpose, but was requested by Mary O'Connor, Transportation General Manager, to ensure that proper internal controls are in place. It is believed that strong internal controls are in place, however, there are items in the report that were discussed with the Transportation Department regarding differences of opinion on how to approach the Program.

Monica Thomas, Internal Auditor, explained that the Cab Connection is a voucher subsidy Program administered by the Transportation Department. This Program is intended for Scottsdale citizens aged 65 and older and for Scottsdale citizens with disabilities. Participants receive vouchers that partially fund curb-to-curb taxi transportation. The City pays 80 percent of the taxi fare, up to a maximum of \$10 and a gratuity of 15 percent of the fare up to a maximum fare of \$12.50. The Program is funded through the Transportation Fund. Audit work included a review of the internal controls requested by Transportation management and also looked at performance, Program parameters, and management controls over funds and data.

In the auditors' opinion, the controls are sufficient and protect the Program against abuse and misuse of funds but performance issues were found that merit consideration. First, the Program mission statement and purpose were not fully reviewed by City Council. When the Program was presented to Council in 2000 as a demonstration program, it was agreed that it would be reviewed within one year. This one-year review did not occur and since then the parameters have changed. Vouchers and enrollment have increased but the budget remains the same. Currently, Council reviews are limited to the annual Transportation budget reviews.

Ms. Thomas noted the auditors did not find evidence that any long-term performance measures are in place. The ridership and outcomes are all included in the total Transportation Transit Services, but there is nothing specific to the Cab Connection Program. Geographic information, participant surveys, and voucher comparisons would be tools management could use to assess service delivery when planning long-term goals. The Program budget is not a representation of the full cost. Administrative costs for 2006 were calculated to be over \$100,000 on top of the \$298,000 expended for vouchers. Under the budget, only the cost of the vouchers is shown. Taxi payments were not reconciled monthly with Financial Services reports. Ms. Thomas reported that auditors could not verify whether information is accurate.

She addressed issues with Americans with Disabilities Act accessibility, including the availability of Program materials and services for people with special needs, such as the visually impaired. Documents are not formatted for the use of the visually impaired. In addition, service fares are not subsidized for people who use a cane or need special assistance. The cost of a taxi ride for a person who requires special services is greater and this difference in cost is not covered, except for dialysis patients.

Ms. Thomas pointed out that the current procedures do not include eligibility re-verification. The Program does not have a way to determine if a participant still meets Program requirements. For example, people under 65 who may no longer be disabled after a period of time could still participate in the Program because this information is not verified.

She also explained that approximately 40 percent of vouchers issued are used, but more vouchers are issued than are supported by the budget. Management expectation is that not all vouchers would be used but if it occurred, the City would need to cover that cost.

The records maintained for the Program were not consistent with the records retention schedule. This was addressed during the thirty-day review and should no longer be an issue.

Ms. Thomas agreed with Ms. Dreska that it remains to be determined whether this Program should be administered by Human Services or Transportation. Transportation Department staff hope to submit a resolution to Council for clarification.

Chairman Lane asked whether it is felt that this is a Transportation responsibility.

Ms. O'Connor recalled that Human Services has been involved in prior years, most recently in a review of the entire Transit program, but not in activities specifically associated with this Program. This Program was initiated as an offset to the Dial-A-Ride program to assist users, particularly those not covered under the Dial-A-Ride program. This model has been implemented by the Regional Public Transportation Authority as a transportation program region-wide.

The Transportation Department believes that because of the relationship of Cab Connection to Dial-A-Ride responsibilities; its funding from Transportation sources; the role of the Transportation Commission in oversight of Transit activities; and because the regional model that was set up based on the Scottsdale program, that it is appropriately administered in the Transportation Department.

Chairman Lane noted that the audit report is being directed towards the Transportation Commission for review.

Ms. O'Connor undertook to share the information obtained from the Human Services Commission and will add their response to the report if needed.

Committee Member Ecton commented that this is certainly a Transportation function and fits into the Valley area Public Transportation. The Human Services Commission needs to have input into what is needed, but the administration and follow through belongs with the Transportation Department.

Ms. O'Connor responded that they did not see the location of the Program as an audit finding, so did not address this in their response to the report. They will modify the response to include input from the Human Services Commission on the parameters that they bring it back to City Council.

Chairman Lane referenced item 3 of the Executive Summary, which states that "There is no language in section 2 -2a-3 that will support the conclusion that the Transportation Commission is charged with reviewing and recommending programs beyond those intended to improve traffic movement and safety." He asked whether that means that the Transportation Commission should or should not be looking at this element.

Ms. Dreska responded that there is a difference of opinion. The auditors see this as a mobility issue. The objectives of the Cab Connection Program specifically deal with

people that have mobility issues limiting them from providing their own transportation. Depending on the definition of transit, it is not a Transit program. Transit is public transportation that brings forward the movement of people through a public system that is meant to deal with concerns such as congestion or air quality. She opined that defining this as a paratransit system would raise more issues relating to the Americans with Disabilities Act. In the auditors' opinion, Human Services is the proper group to talk about appropriate parameters. However, this is not their decision to make.

Chairman Lane clarified that the Program was initiated in November 2000 and there was to be a one year period before it was reviewed by City Council.

Ms. O'Connor stated that they fully agree with the recommendation to bring this decision back to City Council. She also added that the Transportation Commission recently reviewed their ordinance and made a recommendation for a change, but it has not yet been brought back to Council. The 1989 ordinance predates the Americans with Disabilities Act, which is why it does not address the requirement for transportation agencies to provide complementary paratransit services such as the Dial-A-Ride service. The original program that preceded Dial-A-Ride was a cab program that was initially administered by Human Services that was relocated to the Transit program.

Ms. O'Connor advised that under the Americans with Disabilities Act, the City cannot concern itself with trip purpose.

Committee Member McCullagh asked if they are not allowed to ask or if they choose not to ask.

Ms. Dreska responded that this is a fundamental part of the disagreement and cautioned that if this falls under the Transit program as paratransit, then it falls under the Americans with Disabilities Act requirements. If so, she cautioned that the City will have to provide this Program to visitors. She agreed with the items brought up by Ms. O'Connor and added that a thorough review of the requirements with the Americans with Disabilities Act was needed to ensure that all items have been addressed before it comes to Council.

Chairman Lane asked what type of exposure the City has with regards to complying with the requirements of the Americans with Disabilities Acts.

Debra Astin, Transportation Planner, explained that under the Department of Transportation only complementary paratransit is restricted so that they cannot ask trip destination. "Complementary" is a very specific term in the Americans with Disabilities Act and the City meets this requirement with the Dial-A-Ride program. Programs above the basic complementary paratransit do not have to meet the same guidelines. Premium programs can be provided; specified niche services can be provided; and they could ask for trip purpose. When setting up the Cab Connection Program, they decided not to ask trip purpose because they wanted to keep the administrative burden low. The decision was made that the Department would rather give people the freedom to use the Program and cut down on administrative costs. However, this could be changed in the future.

Chairman Lane confirmed that based on Ms. Astin's comments the City does not have an exposure under the Americans with Disabilities Act. Ms. Astin reiterated that under the Department of Justice requirements, they are responsible for making the Program

accessible. Materials for people with different disabilities should be made available, et cetera.

Ms. O'Connor advised that this issue was identified in the audit and they are addressing it. These are Program access responsibilities that apply to all City programs. The idea in establishing the Program was to minimize the administrative costs; to put the funds allocated into providing a better service to the residents. That was part of her intent in requesting the audit to ensure that we had the best internal controls with the least amount of extra responsibilities.

Ms. Dreska said, in her view, the risk with the Americans with Disabilities Act comes from the difference in the amount of the subsidy and the cost of transportation for someone who needs special assistance causing an increase in the cost of the taxi. The City pays 80 percent of a taxi ride to a maximum of a \$10 subsidy on a \$12.50 ride. A wheelchair taxi has a minimum charge of \$25 but the City would only pay \$10. This does not constitute equal treatment. She added that she discussed this with the ADA Coordinator.

Chairman Lane summarized that regardless of whether this Program is administered in Human Services or the Department of Transportation, the City still needs to comply with the Americans with Disabilities Act.

Committee Member McCullagh asked whether they are proposing any change to the way the Program is currently operating and which department should run it.

Ms. Dreska stated that the auditors are only highlighting the fact that City Council did not formally adopt or set out the public purpose of the Program and that there are some issues that need to be resolved.

Ms. O'Connor stated that they hope to get input from the Human Services Commission and the Transportation Commission and are planning to come back to the Council outlining the parameters. She also mentioned that when they implemented the Program they got advice that they should not solicit requests for contracts with cab companies. As a result, they cannot put restrictions on the cab companies such as negotiating rates for wheelchair accessible vehicles. Currently, this restriction does not allow them to control items such as activity by drivers, timeliness of cab arrival, etc.

Chairman Lane clarified that additional research and input from both Commissions is needed to re-evaluate the Program.

Ms. O'Connor stated that they want to be sure to provide Program access, but also have the ability to provide premium levels of service since this is outside the City's Americans with Disabilities Act compliance program.

Ms. Dreska stated that this is also an issue of public purpose. Why is the City subsidizing one segment of the community differently than another segment? Perhaps this is a Council policy issue. Chairman Lane agreed that decisions on public purpose, number of vouchers, and re-verification of participant requirements should be reviewed by City Council.

Ms. Dreska suggested that an improved document management system is not addressed in the report but she feels it would benefit the Program. She also mentioned that she had discussions with the City Attorney's Office and Risk Management regarding contracting with taxi cab companies. They felt that the current situation is best because they are able to push the risk associated between the participant, the Program, and the taxi. For that reason, there is a hold harmless signature on the application, which needs to be maintained as long as the applicant is participating in the Program. The way the Program is currently operating, the original signed application is kept in the office unless they can verify they are not participating. She discussed ways to reduce this administrative burden.

Chairman Lane inquired about the difficulty of issuing vouchers and advises that he does not think 40 percent usage sounds unusual. Ms. Dreska elaborated on the administrative tasks staff must perform.

Committee Member Ecton asked if they have ever had a situation where there was more use than what had been budgeted. Ms. Dreska confirmed that it has happened once. Committee Member Ecton pointed out that it may cost more to issue extra vouchers than to issue too many in the beginning.

Ms. Astin clarified that there is a sixty-day expiration on the vouchers so if the use increased dramatically, staff would notice right away. They can change the Program at any time based on Council decision, so she opined that there is less exposure than appears.

Ms O'Connor added that the one time they went over budget it was related to the fuel costs when the fuel line broke. Other than that instance, the figures have been consistent.

Committee Member McCullagh asked about the typical type of Cab Connection participant. Ms. Astin responded that the bulk of participants are over 65, generally making short trips to a grocery store or medical appointment. Staff do not receive a report on destinations but they could obtain that information from the vouchers.

Committee Member Ecton asked whether establishing goals and objectives or efficiency measurements would improve the Program, or would the administrative burden and payroll expense outweigh any benefits?

Ms. Dreska referred to the proposed changes to the database program and made the point that if some of this information could be captured it could reduce the administrative cost. She also noted that one of the benefits of this Program is that it provides a financial benefit instead of using the Dial-A-Ride program, which is significantly costlier.

Ms. O'Connor added that the more programs and services offered, the less likely seniors are to use the Dial-A-Ride program and the cost per trip could be reduced.

Dave Meinhart, Transit and Transportation Planning Director, added that he would not be surprised if Scottsdale is the only city with Dial-A-Ride use that has been level instead of increasing. This can be partially credited to programs such as the Cab Connection and Neighborhood Circulator.

Chairman Lane added that service level would also influence this trend and asked if sufficient data is readily available to present to City Council indicating how well Cab Connection has met its mission.

Ms. Astin replied that they have sufficient data that could be compiled. Ms. O'Connor advised that due to staffing restrictions, this could be prepared by the end of the calendar year.

Chairman Lane asked staff to confirm that where no response is shown on the action plan, they are satisfied.

Ms. Thomas reiterated that the auditors found a concern with the records retention schedule. This is referenced in Action Plan finding number 5. Ms. Dreska clarified that this is not just applicable to the vouchers but also to the applications being retained.

Chairman Lane asked if the City would have an exposure as a result of this item. It was discussed and decided that they could add an expiration date without any issues.

Chairman Lane confirmed to Ms. O'Connor that Transportation staff will bring this back to City Council in the format of a resolution.

Ms. Dreska confirmed that it would be an affirmation or approval of the Program. She stressed that this is not a criticism of the Program and that the Transportation Department has been very cooperative. Chairman Lane agreed that this is a cooperative effort to improve the Program.

## **Agenda Item 2 - Update by City Auditor on status of current projects**

### **a. WestWorld Financial Audit**

Ms. Dreska relayed that the WestWorld Financial Audit is proceeding. Mr. Ramirez is working on the Basin Management Fund, tracking whether or not the fund is receiving the surcharges and that the expenditures are falling within the guidelines established.

### **b. Cultural Council Management Services Agreement**

Ms. Dreska explained that Ms. Fusaro, who was the lead on this audit, has left the City, so they are working through this and making good progress. They have one outstanding issue to resolve and need to do some limited testing in the event files. The Cultural Council staff and the Downtown staff have been great in providing documentation.

### **c. Housing Assistance and Community Block Grant Development Programs**

Ms. Dreska stated that the preliminary survey has been done and Ms. Thomas is holding off on the Memo of Understanding because they just finalized the issue of the awards for this year.

### **d. Collection and Distribution of Scottsdale Cares Donations**

Ms. Dreska advised that the preliminary survey is done and some preliminary testing on the internal controls has been completed. There should be limited testing in utility billing and the focus will be on contracts and processes to expend the monies. They should have a Memo of Understanding to staff within the next week and a half.

**e. Monitoring Expenses Associated with the use of Outside Law Firms**

Ms. Thomas is working on the preliminary survey associated with the use of outside law firms.

**f. Use of City-Issued Procurement Cards**

The auditors completed the first random sample for this year but will not be doing any more work in this area until after the conversion from American Express to Bank of America. In August, it is expected to do the remaining random audits.

**PUBLIC COMMENTS**

None.

**COMMITTEE COMMENTS**

None.

**ADJOURNMENT**

With no further business to discuss, Committee Member McCullagh made a motion to adjourn the public meeting of the Audit Committee. Committee Member Ecton seconded the motion and the motion carried. The Audit Committee meeting was adjourned at 3:38 p.m.

Submitted by

Reviewed by

A/V Tronics, Inc.

Cheryl Dreska  
City Auditor